

**WGBC Excise Tax Webinar Feb 10, 2022**  
**Q & A Report**

Q: What qualifies as an excise warehouse?

A: Wine Licensee (CRA) is eligible for an Excise Warehouse license to store duty deferred packaged product.

Q: So, can I safely assume that I don't have to include a line item for Excise in my budget that I am finalizing now? Is the WGQEP rebate pretty much a done deal?

A: Although we have made significant progress and Budget 2021 allocated funding for a wine support program for 2022-23 and 2023-24, we are lobbying hard to ensure that the final program funding allocation is sufficient to cover excise duty payable. I am hopeful that this information will be available in April - May.

Q: Question for Dan about the WGQEP. Wine that is fermented in Canada from fresh imported grapes (from US) will also qualify for the program?

A: To meet international trade obligations the program cannot discriminate against imported fresh fruit. As such, both a wine licensee can use domestic and/or imported fresh fruit can qualify for the program as long as the fresh fruit is owned by the wine licensee and fermented in Canada.

Q: On small winery, 22,000 litres produced, you are saying that we will see about 69 cents a litre to be paid for this levy. How will the WGQEP offset this amount?

A: The current excise duty rate for the wine  $\geq 7.0\%$  alcohol is 67.2 cents per litre. The new excise duty rates will be published before the end of February, but based on inflation rates I project that the rate that takes effect on April 1, 2022 will be approximately 69 cents per litre.

Q: Are we required to take out a separate Excise Warehouse license for inventory stored at our winery?

A: Answered Live, [watch the recording here](#).

Q: Put my question in chat - to clarify is the winery warehouse already automatically an excise warehouse?

A: Answered Live, [watch the recording here](#).

Q: Can you tell us from your experience where producers fell short on record keeping?

A: Answered Live, [watch the recording here](#).



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Q: Have you seen any best practices on record keeping?

A: Best practice for record keeping is ensuring you have traceable documentation. For the wine license this is accountability from raw material to packaging. And for Excise warehouse it would be the ensuring that you have documentation for the removal of duty deferred packaged products.

Q: Is there a cheat sheet outlining the process for the changes: 3 days into fermentation input to wear house to inventory duties paid etc. and outlining how to apply for excise warehouse?

A: The CRA has all memorandum and notices posted on the [Canada.com](http://Canada.com) website. [Click here for excise duties technical information under the Excise Act, 2001 - Canada.ca.](#)

Q: Kristian, what services can CSL offer the producer to assist in record keeping?

A: CSL provides a variety of accounting and consulting services. We offer expertise in Federal and Provincial regulatory compliance and reporting. As mentioned in the webinar, auditors assess inherent risk, we provide third party reliability to enhance a wineries' internal controls which lowers said risk.

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Q: Dan, can you please go over ownership of the fruit again please? I am asking from a cidery perspective. Our business model is such that we sell bulk cider made from 100% Canadian fruit to cideries.

A: To access the program, all wine and cider must be fermented in Canada from either domestic or imported fresh fruit that is owned by the wine licensee.

In the case of cider, the wine licensee which owns the fresh fruit can produce cider from fresh fruit or can have the fresh fruit processed into either juice or concentrate to be fermented in Canada.

In your business model, you must have a valid wine license, own the fresh fruit, ferment the fresh fruit, juice, or concentrate into cider, report the production volume on your Excise B265 as an addition to bulk inventory and apply for the production subsidy.

When you sell the bulk cider, you will report a removal of bulk wine on your Excise Form B265 and transfer the subsidy as part of your contractual obligation to the buyer. The buyer will then report an addition to bulk wine inventory on their Excise Form B265, package the cider and pay excise duty owing.



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Q: We need a process to move forward so there is consistency

A: It is important to have proper accounting records for your specific operations. Having an accurate historical data set of your wine production and process is key to ensure compliance with CRA requirements.

Q: So all off-site tastings are excise duty payable whether they are free or not?

A: Correct, all off-site tasting and samples would be excise duty payable.

Q: Has there been any thought of lobbying for changing the definition of "small winery" as it applies to excise, to more of a world-definition of small, vs. the crazy small size it is now?

A: Currently excise duty is not imposed on wine that is produced and packaged by [or on behalf of ] a licensee who qualifies as a small producer. A licensee qualifies as a small producer if:

- the licensee's [total] sales of wine in the fiscal year ending immediately before the particular fiscal year did not exceed \$50,000; and
- the licensee's total sales of wine in the particular fiscal year before the fiscal month do not exceed \$50,000.

This issue remains to be discussed, but the intent of the proposal is to ensure that all wine produced in Canada is provided with a production subsidy that will cover excise duty owing, regardless of production volume or value.

Q: Are production losses subject to excise duty?

A: No, accountable losses are not subject to duty.

Q: Will we have to apply for a separate Excise license for the Excise Warehouse?

A: Yes, you are required to apply for an Excise warehouse license by submitting and L63 License and Registration application- *Excise Act, 2001*

If you missed the WGBC Excise Tax Webinar from February 10, 2022, [watch the recording here](#).

**Presenters:**

Laura Kittmer, Communications Director, Wine Growers British Columbia

Dan Paszkowski, President and Chief Executive Officer, Wine Growers Canada

Kristian Hui, Managing Partner, CSL Consultants